

# IRS News Release

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## **Prepared Remarks of IRS Commissioner Doug Shulman at the National Press Club**

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WASHINGTON — Following is the text of prepared remarks delivered today at the National Press Club by IRS Commissioner Doug Shulman:

It's good to be back at the Press Club. It's good to see the cherry blossoms in bloom. And it's great to see my car not buried under a snow drift.

As you walk around Washington in the spring, you are struck by the sheer number of tourists – young and old – visiting the museums and monuments, or just taking a walk on the Mall.

You also see police officers and guards keeping a close watch over their safety... park rangers giving directions or explaining a bit of history...landscapers keeping the City beautiful...and teachers leading and educating their students.

And they have one thing in common. They're all public servants, who are working to serve our fellow citizens, families, neighbors and friends.

However, there are other public servants you probably won't see, including thousands of IRS employees who right now are answering taxpayer questions over the phones, processing returns, issuing refunds and helping taxpayers struggling through these tough economic times.

And that's what I want to talk about today: public servants and public service...

and how we at the IRS are advancing and translating a commitment to public service into real services...services that benefit both taxpayers and our nation.

Winston Churchill once said, "The farther backward you can look, the farther forward you are likely to see." So let's take a very quick look at what put the concept of, and the word "service" in the Internal Revenue Service.

Around the turn of the 20th Century, the Bureau of Internal Revenue bore little resemblance to today's IRS. It was a strange patchwork of duties and responsibilities. It looked like pieces of today's Bureau of Alcohol, Tobacco and Firearms and Food and Drug Administration had been stitched together.

The Bureau of Internal Revenue issued stamp taxes on distilled spirits, fermented liquors, tobacco, filled cheeses, margarine... and even opium before it was outlawed. There was no individual income tax; only a corporate income tax.

Although the old Bureau was focused on collecting revenue and breaking up illegal stills...dangerous work in those days...service was very different than what we think of today.

In the 1890s, Congress charged the Bureau with the duty of analyzing the samples, such as milk, submitted for inspection. The Bureau had chemists on staff to perform the analysis. So “service” in that context meant protecting the public’s health from things like adulterated foods and drugs manufactured and sold in the District of Columbia.

But even with this quirky portfolio, one of the Bureau’s early leaders was prescient about the future unique role the IRS would play in our growing nation and increasingly diverse economy.

In 1901, Commissioner John W. Yerkes called the Bureau “a business touching closely the interests of thousands of our citizens and coming into nearness of contact with great and small commercial and financial transactions of the nation.”

Although he would not live to see that vision reach full fruition, the next 40 years would see a vastly altered role for the IRS created by groundbreaking legislation that broadened the tax base to help pay for two World Wars.

The most famous – the 16<sup>th</sup> Amendment to the Constitution – gave Congress the power to levy and collect taxes. But it was the Revenue Act of 1942 that quadrupled the number of Americans subject to tax – from 20 to 80 million in six years.

And perhaps the most far reaching of the slew of new tax laws was the Current Tax Payment Act of 1943 which required employers to withhold taxes from employees’ wages and remit them quarterly. We had crossed the Rubicon into the new world of information reporting.

And along with these new tax laws and millions of new taxpayers, the first seeds of tax complexity and taxpayer confusion were sewn ...And at the same time, the first kernels of taxpayer service were also planted.

The first breakthrough in taxpayer service was ushered in with the major reorganization of the IRS in 1952. The Bureau of Internal Revenue quietly slipped into the pages of history and the Internal Revenue Service was born.

I don’t want to make too much of the name change, but in all the discussions that led to the reorganization, there was a new found emphasis on service.

The 1952 Annual Report said that “the easier it is for the taxpayer to file, the easier becomes the job of the tax office...” and ...“the reorganization will provide a one-stop service for the taxpayer.”

However, in an age when punch cards and electronic typewriters were considered cutting-edge, taxpayer service was very much about the basics...bare bones, self-help and group assistance in a schoolroom-like setting.

During the '50s, there was also telephone assistance in each new IRS district – but not toll-free. It was your nickel or dime. There was also large publicity and education programs with IRS speakers provided to radio and television shows.

Taxpayer assistance meandered down this road until the mid-1960s when greater priority was placed on improving service to taxpayers. The first toll-free telephone site was inaugurated with something sounding like a cross between an insect and a telephone – the “Centiphone.”

The first of the big refundable tax credits – the Earned Income Tax Credit – was enacted in 1975, and it was official: The tax system and the IRS were now viewed by policymakers as an efficient distribution system for societal benefits, not just the mechanism to raise the funds to run the government.

The most telling sign that taxpayer service had finally come of age was not a new product...a big pronouncement... or a press conference, but something as unassuming and simple as an organization chart.

In 1978...for the first time ever... the position of Assistant Commissioner for Taxpayer Services and Returns Processing was created.

Taxpayer service had finally arrived. Taxpayer service had finally gained legitimacy. And most important, taxpayer service was finally no longer an adjunct to enforcement.

Picking up the historical pace, we start to see some trends that still ripple throughout the tax system today. The IRS began to harness new technology and limited electronic filing sees the light of day in 1986, but web applications will have to wait until the 1990s.

And one of the most significant pieces of tax legislation in more than three decades was enacted – the Tax Reform Act of 1986.

Tens of millions of taxpayers were clamoring for help to understand the massive changes that would take 3 years to fully implement. In conjunction with PBS, the IRS even produced a two-hour tax program to explain the bill to taxpayers. It aired on over 226 stations and reached 4.6 million viewers.

However, in the 1990s, tax law complexity went viral and taxpayers had to navigate a Tax Code that was four times longer than *War and Peace*.

A National Commission on Restructuring the IRS called upon the Agency to focus on customer service, and in 1998, the IRS would undergo its second major reorganization in the century. The IRS Restructuring and Reform Act of 1998 set the bar high: the IRS must provide greater emphasis on serving the public and meeting the needs of taxpayers.

When it comes to service, the American people will always compare the service received through the IRS with other service experiences. If you look at our taxpayer base and the private sector's customer base, there is 100 percent overlap.

The service challenges they face are many of the same ones we confront. And of course, there is ample room for comparison. Taxpayers want the same seamless services from the IRS they often, but not always, receive from their financial services firms: They want to complete their transaction with the IRS with as little hassle as possible.

In a very real sense, the IRS is one the nation's largest financial services institution. It fulfills the vision Commissioner Yerkes painted more than a century ago. The IRS touches every adult American...every business and every non-profit big and small...each and every year.

But we're also dealing with a huge and diverse taxpayer base where one size of service does not fit all. Young computer-literate taxpayers may prefer on-line, self-service options. Older taxpayers and those with limited English proficiency may favor in-person assistance.

When it comes to taxpayer service we must be ready to break with orthodoxy and what has become calcified. ...We must be open and welcoming of new ideas while preserving what has worked best in the past... We must be willing to innovate and reinvent ourselves as we seek continuous improvement.

And that brings me to what I call a Tale of Three Taxpayers – three fictitious taxpayers with very real but different service needs that we are meeting in different innovative ways.

The first taxpayer is Mary. She is single, in her twenties and in a management training program with a department store. She does not own her home.

Her income comes from her salary although she does invest in a mutual fund where dividends are reinvested.

On the surface, Mary's tax service needs are small and fairly simple...but we still have services that can help her.

Harkening back to the Current Tax Payment Act of 1943, her taxes are withheld at the source and reported to the IRS. However, she may want to use our on-line W-2 calculator on IRS.gov to determine if too much or too little is being withheld.

But let's say that Mary does have an account or tax question. She has more options than ever to getting it answered.

She could call our toll-free telephone assistance number where she could get both assistor and automated service. And if she calls at a busy time, last year we added an estimated wait time feature that allows her to make an informed choice about whether to stay on the line, or call back at a time more convenient for her.

And if Mary logs on to our web site, IRS.gov, she could use the Interactive Tax Assistant that takes users through a series of questions and provides responses to tax law questions. While she's on the IRS web site, she could also check on the status of her refund and whether she's eligible for any of the Recovery Act credits.

For example, Mary is tired of paying rent and saw a small Cape Cod down the street that's within her budget. If she enters into a written binding contract before May 1, 2010 to close on the house before July 1<sup>st</sup>, she would still qualify for the First-Time Homebuyer Credit of up to \$8,000.

When it comes to actually preparing and filing her return, Mary also has a full menu of options.

Using her home computer and commercial off-the-shelf software, she could prepare and e-file the return and get her refund directly deposited to her bank account in about a week, or even use it to purchase up to \$5,000 Series I US Savings Bonds.

And since her adjusted gross income for 2009 was under \$57,000, she also qualifies for FreeFile...free federal tax preparation and e-filing that's just a click away on IRS.gov.

Of course, many taxpayers face much more complex tax scenarios. Many are also struggling to make ends meet during these difficult economic times. To meet these new challenges, the IRS broadened its service horizon and is providing real assistance in real time to these taxpayers too.

A good example is Frank and Sondra and their three children. In early 2009, Frank was laid off from his job at an auto parts manufacturing plant. Although he hopes that he will be called back when the economy picks up, Frank is worried how they will pay the bills in the meantime.

He has picked up some part-time work at a garage and Sondra works a few days a week at a day care center and has some W-2 income. But their savings are dwindling, and they are also worried that they won't be able to make payments on an installment agreement they entered into four years ago when Frank withdrew money from his 401K and didn't report it on their tax return.

Frank and Sondra cut back on their expenses and scrimped as much as possible but they're having trouble keeping their heads above water. Then they heard on their local news about a special "Saturday Open House" at the local IRS taxpayer center that could maybe help them. Frank and Sondra figured, "What do we have to lose?" and put all their records together, set up an appointment time and drove over.

When they met with an IRS Individual Taxpayer Advisory Specialist they explained their situation. Could she help? She went through all of their documents, pay stubs and receipts and calculated their Adjusted Gross income.

She had some good news for them. The Recovery Act created a new Earned Income Tax Credit category for working families with three or more children. Frank and Sondra would qualify for the maximum credit of \$5,657. That wasn't all. They would also qualify

for the Making Work Pay Credit and the Child Tax Credit which is \$1,000 per-child. And in hardly any time at all, their return was prepared and e-filed with a nice refund to be deposited directly into their bank account the next week.

But what about the installment agreement? Given the fact that Frank and Sondra had never missed a payment in the past, the IRS could take into consideration their current economic hardship and come up with a smaller monthly payment. They drove away happy, never expecting the day would turn out this way.

Our third taxpayer is a small business owner – a general contractor specializing in home remodeling and renovation. Times have been tough the past few years for Lenny's General Contracting. The economic downturn and housing market collapse have left Lenny struggling to find the capital or line of credit to keep his business afloat and to meet his tax obligations. He had to lay off two employees.

He had about given up when he read that the local Chamber of Commerce was conducting a small business tax workshop where a representative from the IRS would be present to answer questions about helping small business taxpayers survive these trying economic times.

At the workshop, the IRS representative explained valuable information about putting money in a small business owner's pockets. He asked how many knew about the new net operating loss tax provision in the Recovery Act. Lenny did not.

The IRS representative explained that businesses with deductions exceeding their income in 2009 could use the provision to get an expedited refund of taxes paid in prior years. This could be a lifeline to struggling businesses – just like Lenny's – providing them with a quick infusion of cash.

The IRS representative also told the audience that many would qualify for the Making Work Pay Credit. He suggested too that they visit the [IRS.gov](http://IRS.gov) web site for tax information tailored for small business taxpayers, but also about various credits in the Recovery Act and other legislation that might help their businesses.

When he got home and logged on, Lenny discovered a number of residential energy property credits, such as installing insulation and energy efficient exterior windows and energy-efficient heating and air conditioning systems that he could pitch to new and former clients. Maybe, through the help of the IRS, he would have some new tools to help his struggling business.

I hope these scenarios have made the point that everyday we have people throughout the IRS trying to help and serve taxpayers.

But we also serve these honest and hardworking taxpayers through our robust and evolving enforcement program that ensures that everyone pays what they owe. Here too, we are innovating and evolving our programs every day.

So, we will continue to use new and enhanced techniques to detect and bring to justice those who hide assets overseas to avoid paying their taxes.

Through our new Global High Wealth operating unit we are taking a unified look at the entire web of business and economic entities controlled by a high wealth individuals so we can better assess the risk such arrangements pose to tax compliance.

We are also making better use of data and information to boost compliance. New laws harkening back to the Current Tax Payment Act require brokerage firms to report basis on stock sales and credit card companies to report payments to merchants. They will better inform our compliance efforts.

On the global front, the Foreign Account Tax Compliance Act language contained in the recently-enacted HIRE bill weaves together strong international reporting and disclosure proposals to combat offshore tax evasion. It's another tool in our toolbox.

We have also proposed new regulations on transparency related to business taxpayers' uncertain tax positions that will help both our largest business taxpayers and the IRS achieve certainty, consistency and efficiency when it comes to their taxes.

And because paying taxes is one of the largest financial transactions that American families have each year, we are instituting new, heightened oversight of the tax return preparer community: Ensuring a basic level of competence for preparers to boost both customer service and tax compliance.

We serve our taxpayers through constant, and continuous innovation...I am asking our team to stretch the limits of what the IRS is capable of. This means better technology...improving our phone service...improving our processes ...improving our outreach and education ....improving compliance...and most of all improving ourselves.

The vision is here. The will to succeed is here. We are already hard at work. And with adequate lead time, implementation flexibility and the right resources, I believe we can aim high and achieve anything.

Let me conclude with this thought. I firmly believe that the spirit of public service is part of who we are as IRS employees.

But the men and women of the IRS are often under-appreciated public servants. At its core, we are an agency of professionals working to serve the hardworking taxpayers of this country: processing returns, sending out refunds, answering questions on the phone, and trying to help people navigate a complicated tax system.

On February 18<sup>th</sup>, a man intentionally flew a plane into an Internal Revenue Service Building killing an IRS employee and injuring others. The employee who died, Vernon Hunter, exemplified the spirit of public service. He was a Vietnam veteran and had worked for the IRS for almost 28 years. While he was not the target of the attack, he died at his desk doing his job. He was a manager of Revenue Officers, the people who go out in person to collect debts owed to the government. And while these are the very people who could be parodied, as the prototypical IRS agent, they actually try to help people resolve their debts. Vernon Hunter's son, Ken said something profound, which captures the spirit of how people at the IRS view their job. Rather than show anger

toward the man who killed his father, he simply said: "If he would have talked to my dad, my dad would have helped him."

The people of the IRS serve this country every day. We are not a faceless bureaucracy...but the face of public service... the face of dedication and professionalism...the face of the Internal Revenue Service.

Thank you.